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HB 27 Tax Commission Report - Federal Tax Law Changes

Utah Code §59-1-213 **Effective Date May 3, 2004**

Requires the Tax Commission to annually report to the Revenue and Taxation Interim Committee on changes to the Internal Revenue Code and the potential impacts of those changes on state revenues.

HB 168 Individual Income Tax and Corporate Franchise and Income Tax Task Force

Enacts Uncodified Material **Effective Date May 3, 2004**

This bill provides for a task force, including one member representing the Tax Commission, to study Utah's individual income and corporate franchise and income tax, including the following components:

1. Additions to income;
2. Subtractions from income;
3. Exemptions;
4. Tax credits;
5. Tax rates;
6. Individual income tax brackets; or
7. Other issues relating to these taxes as determined by the task force.

The task force is required to make recommendations on:

1. Whether the taxes should be replaced with a flat or consumption based tax;

2. Whether the individual income tax brackets should be increased for inflation;
3. Whether either tax should be decoupled from the federal tax; and
4. Whether there should be a state earned income tax credit.

HB 191 Corporate Franchise and Income Tax Amendments

Utah Code §§59-7-101, 59-7-402, 59-7-106.5 **Effective Date January 1, 2004**

This bill amends the definition of “nonresident shareholder” to repeal language providing that any organization exempt under Section 501, Internal Revenue Code, is a nonresident shareholder, and repeals references to foreign sales corporations that have been repealed under federal law.

SB 47 Uniform Trust Code

Utah Code §§7-5-7, 7-5-10, 7-5-14, 25-6-14, 49-11-303, 59-10-103, 75-1-201, 75-1-403, 75-2-1209, 75-3-703, 75-3-913, 75-5-417, 75-7-202, 75-7-102 to 75-7-106, 75-7-108 to 75-7-112, 75-7-412 to 75-7-417, 75-7-502 to 75-7-507, 75-7-604 to 75-7-607, 75-7-701 to 75-7-709, 75-7-801 to 75-7-817, 75-7-901 to 75-7-907, 75-7-1001 to 75-7-1013, 75-7-1101 to 75-7-1103, 75-7-101, 75-7-203, 75-7-205, 75-7-301 to 75-7-305, 75-7-401 to 75-7-411, 75-7-501, 75-7-107, 75-7-508 to 75-7-519, 75-7-206, 75-7-207, 75-7-306, 75-7-307, 75-7-405.5 **Effective Date May 3, 2004**

Creates the Utah Uniform Trust Code; provides a governing law for the administration of trusts in concert with other states who have adopted the uniform law; and provides some new terms and definitions.

Several objectives of the code may be summarized as follows:

1. To eliminate procedural distinctions between testamentary and inter vivos trusts.
2. To strengthen the ability of owners to select trustees by eliminating formal qualification of trustees and restrictions on the place of administration.
3. To locate nonmandatory judicial proceedings for trustees and beneficiaries in a convenient court fully competent to handle all problems that may arise.
4. To facilitate judicial proceedings concerning trusts by comprehensive provisions for obtaining jurisdiction over interested persons by notice.
5. To protect beneficiaries by having trustees file written statements of acceptance of trusts with suitable courts, thereby acknowledging jurisdiction and providing some evidence of the trust's existence for future beneficiaries.
6. To eliminate routinely required court accountings, substituting clear remedies and statutory duties to inform beneficiaries.

SB 109 Individual Income Tax Contributions for Education

Utah Code §59-10-549 **Effective Date January 1, 2004**

For taxable years beginning on or after January 1, 2004, this bill allows a taxpayer to contribute \$1 or more to the Uniform School Fund on the taxpayer's individual income tax return; repeals obsolete language allowing a taxpayer to contribute \$1 or more to an applied technology center or an applied technology service center and authorizes the contribution to be made to a campus of the Utah College of Applied Technology.

SB 131 Uniform Principal and Income Act

Utah Code §§22-3-101 to 22-3-107, 22-3-201, 22-3-202, 22-3-301, 22-3-302, 22-3-303, 22-3-401 to 22-3-415, 22-3-501 to 22-3-506, 22-3-601 to 22-3-603, and repeals 22-3-1 to 22-3-16 **Effective Date July 7, 2004**

Senate Bill 131 revises the Uniform Principal and Income Act enacted in 1979. The bill applies probate administration rules to revocable living trusts; provides for the allocation of net income from partnership interests under specific circumstances; allocates between principal and income the income from harvesting and selling timber; allocates between principal and income the receipts from derivatives, options, and asset-backed securities; deals with disbursements made because of environmental laws; specifically addresses deferred compensation in greater detail than the previous version; changes the percentage used to allocate amounts received from oil and gas; and eliminates the unproductive property rule for trusts other than marital deduction trusts.

SB 139 Individual Income Tax - Nonresident Income Amendments

Utah Code §59-10-116 **Effective Date July 7, 2004**

Provides for definitions of military service and servicemember; addresses the calculation of state individual income taxes imposed on a nonresident individual; and provides that compensation a nonresident servicemember receives for military service is subtracted from income for purposes of calculating the nonresident servicemember's state individual income tax.

For state and federal income tax purposes, a servicemember means a member of the "uniformed services" as defined in Pub. L. No. 108-189, Sec. 101. Uniformed services includes the armed forces (Army, Navy, Air Force, Marine Corps, and Coast Guard); the commissioned corps of the National Oceanic and Atmospheric Administration; and the commissioned corps of the Public Health Service.

Military service means :

1. Servicemembers of the Army, Navy, Air Force, Marine Corps, or Coast Guard that are on active duty;
2. Servicemembers of the National Guard that are called to active service by the President or Secretary of Defense for a period of more than 30 consecutive days.
3. Servicemembers who are commissioned officers of the Public Health Service or the National Oceanic and Atmospheric Administration who are on active service.
4. Any period of during which a servicemember is absent from duty on account of sickness, wounds, leave, or other lawful cause.

The military pay of a nonresident stationed in Utah due solely to military orders is not subject to Utah income tax. However, if a nonresident military person or members of his or her family earn nonmilitary income from Utah sources while residing in Utah, they are required to file a return and pay any Utah tax due.

SB 4002 Individual Income Tax - Treatment of Certain Military Income

Utah Code §§59-10-103, 50-10-114 **For taxable year January 1, 2004 through December 31, 2004**

In a Special Session, the Legislature amended the Individual Income Tax Act to allow income from qualifying military service to be deducted from Utah taxable income.

Qualifying military service means any member of the Army Reserve, Naval Reserve, Air Force Reserve, Marine Corps Reserve, Coast Guard Reserve, Army Nat'l Guard of the U.S., or the Air Nat'l Guard of the U.S. that is called to active duty under Article 10 U.S.C. §§12301, 12302, 12303 and 12304. In regards to the Army or Air Nat'l Guard, assignment of active duty must be for a period of more than 30 days.

Article 10 specifically addresses reserve units that are ordered to active duty under the order of the President to serve in times of war, terrorist attack, or national emergency.

The income from qualifying military service of residents or nonresidents that is included in their federal adjusted gross is deducted from Utah taxable income on Line 13 (Code 83) of the TC-40 return.